

Michigan Public Educational Facilities Authority 2004 State Aid Note Program Requirements and Borrowing Process for Public School Academies

ELIGIBILITY REQUIREMENTS

- Principal and interest on the Note may not exceed 70% of the borrower's state aid that is not already pledged for FY 2005.
- Cash flows must demonstrate the ability to repay the Note by July 20, 2005.
- Borrowers must demonstrate a cash flow deficit.
- Applications must be received by June 23, 2004.

SECURITY REQUIREMENTS

- Agreement to authorize the intercept of state aid for monthly payments and advancement of state aid in the event of default.
- Pledge of state aid payments October 2004 through July 2005.

8 STEP BORROWING PROCESS

1. Borrower Selects Note Counsel

Selected note counsel must be recognized by The Bond Buyer's Municipal Marketplace Directory (a.k.a. the "Red Book"). Contact the Michigan Public Educational Facilities Authority (MPEFA) for a listing of recognized note counsel, if necessary.

2. Borrower Completes Application and Cash Flow

The *State Aid Note Program Application*, Form 4039, and the *Projected Monthly Cash Flow*, Form 4046, are available from the MPEFA Web site at: www.MPEFA.org

3. Borrower's Board of Education Adopts Borrowing Resolution

The borrowing resolution will be available from the MPEFA Web site at: www.MPEFA.org by March 31, 2004.

4. Borrower Submits Required Documentation to MPEFA

- a. Completed application with monthly cash flow
 - Application Due Date: June 23, 2004
 - Application must be received by MPEFA on or before the due date. Mailing on the due date is not sufficient.
- b. Audited financial reports for last two fiscal years (June 2003 and 2002)
- c. Current Operating Budget, including any amendments (2003-2004)
- d. Proposed Operating Budget (2004-2005).

5. Borrower May Need to Obtain Approval From Treasury, Local Audit and Finance Division (LAFD)

Your note counsel may assist you with the application process for approval from LAFD, if your school does not have "Qualifying Status" for fiscal year 2003.

6. Borrower Provides Wiring Instructions to MPEFA's Trustee

MPEFA will send you a form requesting instructions on where to wire the proceeds of your note. The completed form must be submitted to MPEFA's trustee no later than two weeks prior to the closing date.

7. MPEFA Prices the Notes and Borrower Signs Purchase Contract

- a. MPEFA will price the notes and notify borrowers of the interest rates obtained.
Expected pricing: August 10, 2004
- b. After pricing, MPEFA will e-mail purchase contract. An authorized officer must sign three copies of the contract, and a signed copy must be faxed to MPEFA no later than 10:00 a.m. on August 12, 2004.
- c. One originally signed copy of the purchase contract must be returned to MPEFA by August 16, 2004.

8. Borrower's Counsel Submits all Closing Documents and Borrower Receives Funds

- a. MPEFA will deliver form copies of all required documents to your note counsel in advance of the closing date.
- b. Each borrower must coordinate with its note counsel and complete all required closing documents and obtain the appropriate signatures.
- c. Each borrower's note counsel must deliver all required documents to MPEFA on or before the prescheduled time determined by MPEFA.
- d. On the closing date, MPEFA's trustee will wire note proceeds according to the instructions provided by the borrower (see step #6).

Summary of Proposed Dates

June 23, 2004	Applications Due
August 10, 2004	Pricing
August 12, 2004	Signed Purchase Contract Due
August 20, 2004	Note Proceeds Wired to Borrowers
August 19, 2005	Notes Mature
July 20, 2005	Final Payment is Due